

Message Text

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60

ORIGIN L-03

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 FRB-03 EB-07 TRSE-00

OMB-01 FTC-01 COME-00 CIAE-00 INR-07 NSAE-00 H-02

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DRAFTED BY L/NEA:BKHUFFMAN:CDJ

APPROVED BY L/NEA:BKHUFFMAN

NEA:SSOBER

FRB:JDHAWKE (PARAS 1-4)

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P 242224Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS PRIORITY

AMEMBASSY AMMAN PRIORITY

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY CAIRO PRIORITY

AMEMBASSY DAMASCUS PRIORITY

AMEMBASSY DOHA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KHARTOUM PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY MANAMA PRIORITY

AMEMBASSY MOGADISCIO PRIORITY

AMEMBASSY MUSCAT PRIORITY

AMEMBASSY NOUAKCHOTT PRIORITY

AMEMBASSY RABAT PRIORITY

AMEMBASSY SANA PRIORITY

AMEMBASSY TRIPOLI PRIORITY

AMEMBASSY TUNIS PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY TEL AVIV PRIORITY

AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L STATE 303017

KUWAIT PASS BAGHDAD

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E.O. 11652: GDS

TAGS: ETRD, EFIN, PFOR

SUBJECT: ARAB BOYCOTT: FEDERAL RESERVE ACTION AND NEW YORK ANTI-BOYCOTT LAW:

REFS: (A) STATE 297811 (B) STATE 297810

1. FEDERAL RESERVE BOARD'S DEC 12 LETTER HAS BEEN SUBJECT OF INTENSIVE CONSULTATIONS AMONG BANKS, EXECUTIVE BRANCH AND FRB STAFF.

2. FRB STAFF HAS NOW INDICATED THAT IN RESPONSE TO ANY BANK INQUIRY IT WILL CLARIFY THAT LETTER WAS INTENDED TO HAVE NO MORE LEGAL EFFECT THAN COMMERCE DEPT REGULATIONS WHICH PROHIBIT COMPLIANCE WITH REQUEST FOR RELIGIOUS, ETHNIC DISCRIMINATION BUT ONLY REQUEST U.S. FIRMS NOT TO ENGAGE IN OTHER BOYCOTT PRACTICES.

3. STAFF ALSO REPORTS BOARD WILL CONSIDER CIRCULATING WRITTEN CLARIFICATION TO ADDRESSEES OF DEC 12 LETTER.

4. THOUGH ABOVE CLARIFICATION DOES NOT ELIMINATE PROBLEM DESCRIBED REF (B) GIVEN BANKING COMMUNITY'S CUSTOMARY DEFERENCE TO FRB'S VIEWS, IT SHOULD REDUCE

IMMEDIATE PROSPECTS WE WERE FACING OF SUDDEN REFUSAL BY MEMBER BANKS TO PROCESS L/C'S WITH BOYCOTT CLAUSES. HOWEVER, BOARD'S VIEWS ON THIS SUBJECT ARE A CLEAR MATTER OF RECORD AND WE ANTICIPATE CONTINUED INTENSIVE CONSULTATIONS ON THIS ISSUE.

5. REGARDING NEW YORK ANTI-BOYCOTT LAW, REPRESENTATIVE OF NEW YORK CLEARING HOUSE BANKS HAS ADVISED DEPT OFF THAT CLEARING HOUSE MEMBERS DO NOT REPEAT NOR INTERPRET N.Y. LAW AS PROHIBITING PROCESSING OF L/C'S AFTER JANUARY 1 WHICH CONTAIN BOYCOTT CLAUSES NOT INVOLVING ETHNIC, RELIGIOUS, ETC. DISCRIMINATION PROVISIONS. INTERPRETATION CONFORMS TO PLAIN READING OF STATUTE
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BUT NOT GLOSS UPON IT BY SOME N.Y. LEGISLATORS. SUCH BANKS PREPARED LITIGATE CONSTITUTIONALITY OF ANY EFFORT BY N.Y. STATE TO APPLY LAW BEYOND ITS APPARENT TERMS.

6. MEANWHILE, GENERAL ELECTRIC COMPANY HAS BROUGHT ACTION IN FEDERAL COURT CHALLENGING CONSTITUTIONALITY OF ENTIRE N.Y. STATE INVESTIGATION PREPARATORY TO LAW'S ENTRY INTO FORCE JANUARY 1. DECISION ON GE'S REQUEST FOR PRELIMINARY INJUNCTIVE RELIEF AGAINST INVESTIGATION EXPECTED IN EARLY JANUARY. PENDING DECISION STATE AUTHORITIES HAVE WITHDRAWN SUBPOENAS SERVED ON GE.

7. POSTS MAY DRAW ON FOREGOING IN RESPONSE TO HOST
GOVERNMENT INQUIRIES.

8. DEPT WILL CONTINUE TO KEEP POSTS INFORMED OF FURTHER
DEVELOPMENTS CONCERNING ABOVE PROBLEMS. KISSINGER

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TAGS: ETRD, EFIN, PFOR
To: ABU DHABI
ALGIERS
AMMAN
BEIRUT
CAIRO
DAMASCUS

DOHA
JIDDA
KHARTOUM
KUWAIT
MANAMA
MOGADISCIO
MUSCAT
NOUAKCHOTT
RABAT
SANA
TRIPOLI
TUNIS
LONDON
TEL AVIV
PARIS
Type: TE

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